

CRS Report for Congress

Korea-U.S. Relations: Issues for Congress

Updated April 28, 2008

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Prepared for Members and
Committees of Congress

Report Documentation Page				Form Approved OMB No. 0704-0188	
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1. REPORT DATE 28 APR 2008		2. REPORT TYPE		3. DATES COVERED 00-00-2008 to 00-00-2008	
4. TITLE AND SUBTITLE Korea-U.S. Relations: Issues for Congress				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Congressional Research Service, The Library of Congress, 101 Independence Ave, SE, Washington, DC, 20540-7500				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 26	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Korea-U.S. Relations: Issues for Congress

Summary

The United States has had a military alliance with South Korea and important interests in the Korean peninsula since the Korean War of 1950-53. Many U.S. interests relate to communist North Korea. Since the early 1990s, the issue of North Korea's development of nuclear weapons has been the dominant U.S. policy concern. Experts in and out of the U.S. government believe that North Korea has produced at least six atomic bombs, and North Korea tested a nuclear device in October 2006. Negotiations over the nuclear issue have been underway since 2003. In 2007, a six party negotiation (between the United States, North Korea, China, South Korea, Japan, and Russia) produced agreements encompassing two North Korean and two U.S. obligations: disablement of North Korea's Yongbyon nuclear installations, a North Korean declaration of nuclear programs, U.S. removal of North Korea from the U.S. list of state sponsors of terrorism, and U.S. removal of North Korea from the sanctions provisions of the U.S. Trading with the Enemy Act. By April 2008, progress had been made on the disablement, and a U.S.-North Korea agreement reportedly negotiated at Singapore sets the format and content of a declaration and secret side agreement.

The Bush Administration has subordinated to the nuclear issue a number of other North Korean activities that affect U.S. interests. North Korean exports of counterfeit U.S. currency and U.S. products produce upwards of \$1 billion annually for the North Korean regime. North Korea earns considerable income from sales of missiles and missile technology cooperation with countries like Iran and Syria. It has developed short-range and intermediate range missiles, but it has failed to develop an intercontinental ballistic missile. It is estimated to have sizeable stockpiles of chemical and biological weapons. North Korean involvement in international terrorism has included the kidnapping of Japanese citizens and reportedly arms and training to the Hezbollah and Tamil Tigers terrorist groups. U.S. human rights groups are involved in responding to the outflow of tens of thousands of North Korean refugees into China, due to severe food shortages inside North Korea and the repressive policies of the North Korean regime. U.S. and international food aid to North Korea has been provided since 1995 but has declined since 2002. The Bush Administration reportedly was considering in March 2008 a new commitment of 500,000 tons of foodgrains.

South Korea followed a conciliation policy toward North Korea under the administrations of Kim Dae-jung and Roh Moo-hyun; but the administration of President Lee Myung-bak, elected in December 2007, states that it will link South Korean aid to North Korea more closely to the nuclear issue and will press North Korea on human rights. The United States signed a Free Trade Agreement (FTA) with South Korea (the seventh largest U.S. trading partner) in 2007. There is support but also opposition to the FTA in both the United States and South Korea, and U.S. congressional support of the FTA is an uncertain prospect. The U.S.-R.O.K. military alliance is undergoing structural changes, including relocation and withdrawals of U.S. troops in South Korea (down to 25,000 by September 2008) and an agreement to disband the unified military command and establish separate U.S. and R.O.K. military commands.

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Korea-U.S. Relations: Issues for Congress

U.S. Interests in South and North Korea

U.S. interests in the Republic of Korea (R.O.K. — South Korea) involve security, economic, and political concerns. The United States suffered over 33,000 killed and over 101,000 wounded in the Korean War (1950-53). The United States agreed to defend South Korea from external aggression in the 1954 Mutual Defense Treaty. The Treaty obligates the United States and South Korea to (1) seek to settle international disputes “by peaceful means”; (2) refrain from “the threat or use of force” that is inconsistent with the purposes of the United Nations; (3) consult together when either party “is threatened by external armed attack” and resort to “mutual aid” and “appropriate means” to deter an armed attack; (4) “act to meet the common danger in accordance with its constitutional processes” if the territories of either party “in the Pacific area” are subject to “an armed attack.” Under the Mutual Defense Treaty, South Korea grants the United States the rights to station U.S. military forces in South Korea “as determined by mutual agreement.”

The United States maintains about 28,000 troops there to supplement the 650,000-strong South Korean armed forces. This force is intended to deter North Korea’s (the Democratic People’s Republic of Korea — D.P.R.K.) 1.2 million-man army. Since 1991, U.S. attention has focused primarily on North Korea’s drive to develop nuclear weapons. However, other North Korean policies and actions have affected U.S. interests including proliferation of missiles and other weapons of mass destruction to Middle Eastern countries, support for terrorist groups in the Middle East and South Asia, counterfeiting of U.S. currency and U.S. products, human rights abuses, and policies that have forced thousands of North Koreans to flee to China as refugees. North Korean policies are important issues in U.S. relations with China and Japan.

The United States is South Korea’s third largest trading partner (replaced as number one by China in 2002) and second largest export market. South Korea is the seventh-largest U.S. trading partner. Total trade is close to \$80 billion annually. In 2007, the United States and South Korea signed a Free Trade Agreement (FTA). President Bush has not submitted the FTA to Congress for approval. If approved, it would be the second largest U.S. FTA; only the North American Free Trade Agreement would be larger.

Relations with North Korea

The Bush Administration, throughout its time in office, has concentrated on North Korea's nuclear weapons program in its policy toward North Korea. Other issues, from North Korean missiles to human rights, have been subordinated. After the breakdown of the 1994 U.S.-North Korean Agreed Framework in late 2002 and North Korea's resumption of plutonium production, the Bush Administration and China organized a six party negotiation to deal with the nuclear issue. Besides the United States and China, the other members of the six party talks are North Korea, South Korea, Russia, and Japan.

Nuclear Weapons and the Six Party Talks. (For additional information on this subject, see CRS Report RL33590, *North Korea's Nuclear Weapons Development and Diplomacy* and CRS Report RL34256, *North Korea's Nuclear Weapons, Latest Developments*.) On October 9, 2006, North Korea conducted its first nuclear test, a small plutonium explosion of less than one kiloton (3-4 percent of the explosion power of the Nagasaki plutonium atomic bomb).¹ U.S. intelligence agencies estimated that North Korea has about 50 kilograms of nuclear weapons grade plutonium that it extracted from its operating five megawatt nuclear reactor at Yongbyon. Using six kilograms per weapon, this would be enough for six to eight atomic bombs.² The test came amidst three years of stalemated negotiations over North Korea's nuclear program by six governments: the United States, North Korea, South Korea, China, and Russia. China had hosted the six party talks in Beijing.

Within two months after the test, the Bush Administration fundamentally changed its strategy toward dealing with North Korea and its view of the type of agreement to be negotiated. The Administration's approach since the six party talks began in 2003 had been to allow only limited bilateral dealings with North Korea, seek unilateral concessions from North Korea, and seek an agreement providing for near-term, complete dismantlement of North Korean nuclear programs, facilities, and activities.³ The new strategy, initiated in November-December 2006, actively sought bilateral talks with North Korea. The Administration continued to state dismantlement as the U.S. diplomatic objective, but it sought to negotiate several, staged agreements with North Korea with interim goals in each of these. The Administration also began to offer benefits and concessions to North Korea as part of interim agreements. While emphasizing bilateral talks with North Korea, the Bush Administration maintained close consultations with China.⁴

¹ Michael Evans, Now for stage two: putting a warhead on the end of a ballistic missile, *The Times* (London), October 10, 2006, p. 7. U.S. nuclear scientist assesses N. Korea program, Reuters News, November 15, 2006.

² Ibid.

³ Peter Beck, The new Bush Korea team: a harder line? *Weekly Dong-a* (Seoul), November 22, 2004. Charles Pritchard L., Six Party Talks Update: False Start or a Case of Optimism. Washington, The Brookings Institution, December 1, 2005.

⁴ Glenn Kessler, To reach pact with N. Korea, Bush adopted an approach he had criticized, *Washington Post*, October 4, 2007, p.A17.

The Administration's new strategy produced two integrated nuclear agreements concluded between the United States and North Korea and issued by the six parties on February 13 and October 3, 2007. The agreements set out two phases for implementing a series of obligations by North Korea, the United States, and the other six party governments. The main provisions opened the way for an end to the operation of North Korea's plutonium production facilities at Yongbyon, first through a freeze of operations in phase one followed, in phase two, by a disablement of the Yongbyon installations through the destruction and removal of key pieces of equipment from the facilities. The agreements also obligated North Korea to issue a "complete and correct declaration" of all of its nuclear programs by December 31, 2007. North Korea was to receive benefits from the United States and other six party governments. One benefit was the provision of about 500,000 tons of heavy fuel oil and the equivalent of another 500,000 tons in equipment for North Korea's coal mines and electric power facilities. The Bush Administration also promised to remove North Korea from the U.S. list of state sponsors of terrorism and from the sanctions provisions of the U.S. Trading with the Enemy Act in reciprocity for the disabling of Yongbyon and the issuance of a satisfactory declaration of North Korean nuclear programs.

The Bush Administration also abandoned major elements of its anti-counterfeiting policy against North Korea when North Korea conditioned the implementation of the freeze of the Yongbyon facilities upon the Administration facilitating the return to Pyongyang of \$24 million that had been frozen in the Banco Delta bank in Macau, China.

Following the October 3, 2007 agreement, the disablement of Yongbyon went smoothly. Assistant Secretary of State Christopher Hill told the Senate Foreign Relations Committee on February 6, 2008, that essential machinery had been removed from the nuclear fuel fabrication plant and the plutonium reprocessing plant at Yongbyon under the observation of U.S. technical experts. The removal of nuclear fuel rods from the five megawatt nuclear reactor was underway and was being carried out slowly for safety reasons. Hill also said that North Korea had slowed the removal of the fuel rods because of its complaint that the United States and the other six parties were slow in delivering the promised heavy fuel oil. Hill stated the disablement would create a situation in which it would take North Korea "upwards of 12 months" to restore the disabled facilities and re-start them.⁵ Deliveries of heavy fuel oil to North Korea, financed by six party governments, reached 200,000 tons by March 2008.

However, a deadlock developed over the declaration of nuclear programs, which resulted in the December 31, 2007 deadline not being met. Following the October 3, 2007 agreement, the Bush Administration listed several areas of information which, it said, North Korea needed to address in the declaration: the size of the plutonium stockpile, the number of nuclear weapons, the status of a uranium enrichment program, and nuclear cooperation with Syria. In early December 2007, President Bush spelled out U.S. requirements in a letter to North Korean leader, Kim

⁵ Statement of Assistant Secretary of State Christopher Hill to the Senate Foreign Relations Committee, February 6, 2008.

Jong-il.⁶ North Korea gave the Bush Administration a declaration in November 2007 and stated in early January 2008 that this was sufficient to fulfill the October 3 agreement. The Bush Administration asserted that the information was inadequate.⁷

There appeared to be three and possibly four issues on which the Administration does not believe that North Korea provided adequate information:

- The number of atomic bombs: North Korea has stated that it will not supply that information as part of implementing phase two.⁸
- Uranium enrichment: North Korea showed U.S. experts samples of aluminum tubes that it had imported from Russia suitable for a uranium enrichment centrifuge infrastructure, but it asserted that it did not use the aluminum tubes for any such program. However, traces of enriched uranium were found on the samples. North Korea reportedly did not disclose receiving a “starter kit” for a highly enriched uranium program from Pakistan’s nuclear czar, A.Q. Khan. It continued to deny that it ever had a highly enriched uranium program.⁹
- Nuclear proliferation with Syria: Israeli warplanes bombed a facility in Syria in September 2007 that Israeli officials asserted was a nuclear-related facility involving North Korean nuclear technicians. U.S. officials reportedly have reached a similar conclusion.¹⁰ In April 2008, U.S. intelligence officials briefed several congressional committees that the construction of the reactor was near completion and that North Koreans were involved.¹¹ However, North Korea has stood by its statement in the October 3, 2007 six party statement that it has not proliferated nuclear materials or technology.

North Korean is reported to have declared to the Bush Administration that it has 30 kilograms of plutonium and has used 18 kilograms in nuclear development and

⁶ Deb Riechmann, Bush sends letter to N. Korean leader, Associated Press, December 6, 2007.

⁷ For a good description of the areas of contention in the declaration, see Brian Lee, North to miss today’s declaration deadline, JoongAng Ilbo (internet version), December 31, 2007.

⁸ Nicholas Kravet, U.S. to hold N. Korea to vows, *Washington Times*, November 29, 2007, p. A1.

⁹ Glenn Kessler, Uranium traces found on N.Korean tubes, *Washington Post*, December 2007, p. A25. Glenn Kessler, N. Korea offers evidence to rebut uranium claims, *Washington Post*, November 10, 2007, p. A1.

¹⁰ Nanae Kirashige, Syria got N. Korea help for N-facility, *Asahi Shimbun*, March 31, 2008. U.S. called N. Korea’s bluff over Syria, Chosun Ilbo (internet version), April 1, 2008.

¹¹ David Sanger, Bush Administration releases images to bolster its claims about Syrian reactor, *New York Times*, April 25, 2008, p. A1.

about six kilograms in the October 2006 nuclear test.¹² The U.S. intelligence estimate is 50 kilograms,¹³ but some experts say that 30 kilograms would be at the low end of an estimated range.

A Hill-Kim Gye-gwan meeting in Singapore on April 7-8, 2008, reportedly produced a basic agreement on the declaration based on two formulas.¹⁴ One is a Bush Administration proposal that the issues of uranium enrichment and nuclear cooperation with Syria be included in a secret minute separate from the declaration.¹⁵ The declaration thus would deal only with North Korea's plutonium program. A second is a Chinese proposal for the secret minute to be modeled after the 1972 U.S.-China Shanghai Communique in which the United States and China stated their differing positions on issues like Taiwan and stated a recognition of the positions of the other side.¹⁶ Thus, in the secret minute, North Korea reportedly would acknowledge or take note of the U.S. position that North Korea has engaged in past activities related to uranium enrichment and proliferation with Syria, but it would not admit to such activities. Hill has suggested that the Administration would accept North Korea's declaration of 30 kilograms of plutonium but that the U.S. experts would need to examine North Korean records of nuclear activities to judge whether the 30 kilogram declaration is accurate.¹⁷ In his testimony before the Senate Foreign Relations Committee on February 6, 2008, he restated the requirement that North Korea must declare the number of nuclear weapons it possesses, but he has omitted this in other statements regarding U.S. requirements. Some observers believe that this issue may be deferred to the future beyond the conclusion of phase two. Administration officials also have reiterated the U.S. offer to remove North Korea from the list of state supporters of terrorism and from the Trading With the Enemy Act as part of a completion of phase two.

Amidst the nuclear negotiations, North Korea invited the New York Philharmonic Orchestra to perform a concert in Pyongyang, which was held on February 26, 2008.

¹² North Korea produced 30 kg of plutonium — newspaper, Reuters News, April 20, 2008. The newspaper referred to by this Reuters report was the Tokyo Shimibun.

¹³ The White House, Report to Congress on Nuclear and Missile Programs of North Korea, November 2007.

¹⁴ Glenn Kessler, U.S. ready to ease sanctions on North Korea, *Washington Post*, April 11, 2008, p. 15. Melanie Lee and Daryl Loo, Nuclear talks with N. Korea make progress, US says, Reuters News, April 8, 2008.

¹⁵ Nicholas Kralev, U.S. suggests secret disclosure of nuclear past, *Washington Times*, February 28, 2008, p. A11. Donald Kirk, High-level talks keep N. Korea deal alive, *Christian Science Monitor*, March 17, 2008, p. 4.

¹⁶ Takeo Miyazaki, Paper on DPRK N-declaration floated, *The Daily Yomiuri* (Tokyo), March 7, 2008, p. 7.

¹⁷ Glenn Kessler, Glenn, U.S., N. Korea to work toward ending weapons impasse, *Washington Post*, March 12, 2008, p. A8. Council on Foreign Relations, Interview with Christopher Hill, Assistant Secretary of State for East Asian and Pacific Affairs, February 15, 2008.

U.S. Policy Toward North Korean Illegal Activities. U.S. administrations have cited North Korea since the mid-1990s for instigating a number of activities abroad that are illegal under U.S. law. These include production and trafficking in heroin, methamphetamines, counterfeit U.S. brand cigarettes, counterfeit pharmaceuticals, and counterfeit U.S. currency. (For a detailed discussion, see CRS Report RL33324, *North Korean Counterfeiting of U.S. Currency*, and CRS Report RL32167, *Drug Trafficking and North Korea: Issues for U.S. Policy*.) Earnings from counterfeiting and drug trafficking reportedly go directly to North Korean leader, Kim Jong-il, through Bureau 39 of the Communist Party. He reportedly uses the funds to reward his political elite with imported consumer goods and to procure foreign components for weapons of mass destruction.

In September 2005, the Bush Administration made the first overt U.S. move against North Korean illegal activities; the Treasury Department named the Banco Delta in the Chinese territory of Macau as a money laundering concern under the U.S. Patriot Act. The Department accused Banco Delta of distributing North Korean counterfeit U.S. currency and laundering money for the criminal enterprises of North Korean front companies. The Macau government closed Banco Delta and froze more than 40 North Korean accounts with the bank totaling \$24 million. Banks in a number of other countries also froze North Korean accounts and ended financial transactions with North Korea, often after the Treasury Department warned them against doing further business with North Korea. North Korea reportedly has maintained accounts in banks in mainland China, Singapore, Switzerland, Austria, Luxembourg, and Russia.

As part of the implementation of phase one of the February 2007 nuclear agreement (freezing the Yongbyon nuclear facilities), North Korea demanded the release of all of the \$24 million in its accounts in Banco Delta before it would carry out its obligations under phase one. The Bush Administration decided on April 10, 2007, to allow the release of the \$24 million.¹⁸ North Korea then demanded assurances from the Bush Administration that the U.S. Treasury Department would not penalize any foreign banks that received the transferred Banco Delta money. In June 2007, the Bush administration and the Russian government arranged for the money to be transferred through the New York Federal Reserve Bank to Russia's central bank, which then forwarded the money to a private Russian bank that maintained a North Korean account.¹⁹ The Treasury Department also ceased its campaign to warn and pressure foreign governments and banks to stop doing business with North Korea. Treasury Undersecretary Stuart Levey told the Senate Finance Committee on April 1, 2008, that many foreign banks had terminated their dealings with North Korea.²⁰

¹⁸ Lee Dong-min, Interview with former White House official Victor Cha, Vantage Point, June 2007, p. 22-24.

¹⁹ Jay Solomon, Money transfer advanced North Korea pact, *The Wall Street Journal Asia*, June 15, 2007, p. 22-24.

²⁰ N.K.'s counterfeit U.S. bills still showing up: Treasury, Yonhap News Agency, April 2, 2008.

In December 2007, the Japanese government revealed estimates of North Korean exports of counterfeit drugs and cigarettes. It estimated North Korea's earnings from counterfeit cigarettes at 60-80 billion yen annually (\$600-\$800 million) and up to 50 billion yen (\$500 million) from counterfeit stimulant drugs and heroin. The government said that North Korea was increasing production of counterfeit cigarettes because of increased Chinese and Japanese measures against the smuggling of North Korean drugs. North Korea, it estimated, was producing about 41 billion counterfeit cigarettes annually at ten factories.²¹ In his April 2008 testimony to the Senate Finance Committee, U.S. Treasury Undersecretary Stuart Levey stated that counterfeit U.S. dollars produced by North Korea "continue to surface."

North Korea's Missile Program. North Korea maintained a moratorium on flight testing of long-range missiles since September 1999 until the missile launches on July 4, 2006, when North Korea fired seven missiles into the Sea of Japan, including one long-range Taepodong II missile. The Taepodong II's liftoff failed after 40 seconds, and the missile fell into the sea, an apparent failure. However, the other missiles tested successfully, reportedly including a new model of the Scud short-range missile. A previous missile test, of a Taepodong I on August 31, 1998, flew over Japanese territory out into the Pacific Ocean.²²

North Korea is estimated to have more than 600 Scud missiles with a range of up to 500 kilometers, including new solid-fuel Scuds, which can be fired quickly, in contrast to liquid-fuel missiles. The range of the Scuds could cover all of South Korea. North Korea also is estimated to have deployed approximately 200 intermediate-range Nodong missiles. The Nodongs have an estimated range of 1,300 kilometers (900 miles), which could reach most of Japan.²³ North Korea reportedly has developed since 2003 a more accurate, longer-range intermediate ballistic missile. This new missile, dubbed the Taepodong X or the "Musudan," appears to be based on the design of the Soviet SS-N-6 missile. It is believed to have a range of between 2,500 and 4,000 kilometers, sufficient to reach Okinawa and Guam, the site of major U.S. military bases.²⁴ In 2005, Iran reportedly purchased 18 Musudan missiles from North Korea. North Korea displayed the Musudan missile for the first time in a parade on April 25, 2007. On January 17, 2006, Iran tested successfully a "Shahab-4" missile that reached a distance of nearly 3,000 kilometers before being

²¹ Shift from stimulant drugs to counterfeit cigarettes at 10 factories in North Korea, earning more than 60 billion yen annually, Sankei Shimbun (internet version), December 12, 2007.

²² Kim Kyoung-soo (ed.), *North Korea's Weapons of Mass Destruction*. Elizabeth, New Jersey, and Seoul: Hollym Corporation, 2004, p. 121-148.

²³ Jon Herskovitz, General alarmed by Pyongyang's advanced missile tests, Washington Times, July 3, 2007, p. A9. Jung Sung-ki, S. Korea vulnerable to NK chemical warheads, *The Korea Times* (internet version), October 17, 2007.

²⁴ North Korea's growing missile arsenal. Reuters News, July 7, 2006. Kerr, Paul. New North Korean missile suspected. *Arms Control Today* (internet version), September 2004.

destroyed in mid-flight. It reportedly was the Musudan.²⁵ Tests of this missile's engine also reportedly have been conducted in Iran.²⁶

In the 1990s, North Korea exported short-range Scud missiles and Scud missile technology to countries in the Middle East. It exported Nodong missiles and Nodong technology to Iran, Pakistan, and Libya. In 1998, Iran and Pakistan successfully tested medium-range missiles modeled on the Nodong. In February 2006, it was disclosed that Iran had purchased 18 BM-25 mobile missiles from North Korea with a range of 2,500 kilometers. Pakistani and Iranian tests of North Korean-designed missiles have provided "surrogate testing" that observers maintain have diluted the limitations of the September 1999 moratorium. The Iranian test of the Musudan was an example. Iranians reportedly were at the North Korean test site for the July 4, 2006 missile launches. (For further information, see CRS Report RS21473, *North Korean Ballistic Missile Threat to the United States*.)

Weapons of Mass Destruction. Official and unofficial estimates of North Korea's stockpile of chemical weapons range between 1,000 and 5,000 tons, including nerve gas, blister agents, mustard gas, and vomiting agents. These estimates also cite North Korea's ability to produce biological agents of anthrax, smallpox, and cholera.²⁷ A report in the February 2007 edition of the magazine, *Popular Mechanics*, cited the estimate of 5,000 tons of chemical weapons and also asserted that North Korea was producing biological weapons at over 20 facilities throughout the country.²⁸

North Korea's Inclusion on the U.S. List of State Sponsors of Terrorism. In February 2000, North Korea began to demand that the United States remove it from the U.S. list of state sponsors of terrorism. North Korea's proposals at the six party nuclear talks also call for the United States to remove Pyongyang from the terrorist list. One of North Korea's motives appears to be to open the way for the nation to receive financial aid from the World Bank and the International Monetary Fund (IMF). P.L. 95-118, the International Financial Institutions Act, requires the United States to oppose any proposals in the IMF and World Bank to extend loans or other financial assistance to countries on the list of state sponsors of terrorism. Since 2000, the South Korean government has urged the United States to remove North Korea from the terrorism list so that North Korea could receive international financial assistance.

²⁵ Iran develops missile with 4,000-KM range. Middle East Newslite, March 2, 2006. Vick, Charles P. Has the No-Dong B/Shahab-4 finally been tested in Iran for North Korea? *Global Security* (internet version) May 2, 2006.

²⁶ Takashi Arimoto, North Korea may have tested engine combustion of a new type missile in Iran — the two countries may share data, *Sankei Shimbun* (internet version, June 21, 2007).

²⁷ U.S. Department of Defense, 2000 Report to Congress: Military Situation on the Korean Peninsula, September 12, 2000, p. 6. Ministry of National Defense, Republic of Korea, Defense White Paper 2004, p. 45. Kim Kyoung-soo (ed.), *North Korea's Weapons of Mass Destruction: Problems and Prospects*, p. 79-111.

²⁸ N.Korea producing biological and chemical weapons at 32 facilities: U.S. report, Yonhap News Agency, February 4, 2007. Karl Eiseleberg, Korea Report, August 26, 2007, p. 10-11.

Until 2007, U.S. administrations had listed several international terrorism-related acts of North Korea as reasons for placing and maintaining North Korea on the list of state sponsors of terrorism: the blowing up of a South Korean airliner in 1987, providing sanctuary for members of the Japanese Red Army terrorist group, and the kidnappings of Japanese citizens in the 1970s and 1980s. However, the Bush Administration did not cite reports from Israeli, French, and Japanese sources that, in the 2000-2007 period, North Korea had supplied arms and training to Hezbollah in Lebanon and the Tamil Tigers in Sri Lanka — two groups on the U.S. list of international terrorist organizations. North Korea also appears to have a longstanding cooperative relationship with the Iranian Revolutionary Guards, which the U.S. State Department designated as a terrorist groups in November 2007. (See CRS Report RL30613, *North Korea: Terrorism List Removal?*)

Japan has urged the United States to keep North Korea on the terrorism list until North Korea resolves Japan's concerns over North Korea's kidnapping of Japanese citizens. The Clinton Administration gave Japan's concerns increased priority in U.S. diplomacy in 2000. At the six party Beijing meetings since August 2003, the Bush Administration called on North Korea to resolve the issue with Japan. Kim Jong-il's admission, during his summit meeting with Japanese Prime Minister Koizumi in September 2002, that North Korea had kidnapped Japanese citizens did not resolve the issue.²⁹ His claim that eight of the 13 admitted kidnapped victims are dead raised new issues for the Japanese government, including information about the deaths of the kidnapped and the possibility that more Japanese were kidnapped. The five living kidnapped Japanese returned to Japan in October 2002. In return, Japan promised North Korea 250,000 tons of food and \$10 million in medical supplies. However, in late 2004, Japan announced that the remains of two alleged kidnapped Japanese that North Korea had turned over to Japan were false remains. This, coupled with the stalemate in the six party nuclear talks, prompted Japan to tighten economic sanctions and other restrictions on North Korea.

The initiation of the Rice-Hill strategy toward the North Korean nuclear issue in 2007 included a major change in the Bush Administration's position toward North Korea's inclusion on the list of state sponsors of terrorism. The Administration offered to remove North Korea from the list as part of the implementation of the February 2007 nuclear agreement.³⁰ The October 3, 2007 agreement embodied a U.S. commitment to remove North Korea from the terrorism support list in reciprocity for the disabling of the Yongbyon nuclear facilities and a North Korean declaration of nuclear programs.

Correspondingly, the Bush Administration separated the Japanese kidnapping issue and other terrorism-related acts from the justifications for keeping North Korea

²⁹ Japan. Ministry of Foreign Affairs. Abductions of Japanese Citizens by North Korea. April 2006.

³⁰ U.S. offered to remove N. Korea from terror list — South Korea. Dow Jones International News, December 26, 2007. Arimoto Takashi, Six-party talks: Japan, PRC concerned about US-DPRK pre-talk coordination becoming regularized, suspect 'secret deal', Sankei Shimbun (internet version), August 14, 2007.

on the list of state sponsors of terrorism.³¹ Assistant Secretary of State Hill stated that he continually urged North Korea to take steps to resolve the kidnapping issue with Japan, but Administration officials emphasized that the United States was under no legal obligation to link the kidnapping and terrorism support list issues. Japanese officials responded by voicing opposition to the Administration's plan to remove North Korea from the list, and Japan said it would not provide money for the heavy oil shipments to North Korea under the 2007 nuclear agreements until there was progress on the kidnapping issue.³² On January 22, 2008, the State Department's director of counterterrorism said that North Korea had met the legal requirements for removal from the list of state sponsors of terrorism in that it had committed no acts of terrorism for the last six months.³³ (See CRS Report RS22845, *North Korea's Abduction of Japanese Citizens and the Six Party Talks.*)

Food Aid. North Korea's order to the U.N. World Food Program (WFP) to suspend food aid after December 2005 significantly curtailed a ten-year program of WFP food aid to North Korea. The two-year program negotiated in early 2006 to feed small children and young women is much more limited in scope. Moreover, apparently influenced by North Korea's nuclear and missile tests, country donations to the WFP for North Korea aid declined from 2006 to the present.³⁴ However, Assistant Secretary of State Christopher Hill told the Senate Foreign Relations Committee on February 6, 2008, that the Bush Administration was prepared to extend food aid to North Korea "subject to appropriate program management consistent with international standards." In late March 2008, Radio Free Asia reported that the WFP had entered into discussions with the Bush Administration over a substantial U.S. commitment of new food aid to North Korea, possibly 500,000 tons.

From 1995 through 2004, the United States supplied North Korea with over 1.9 million metric tons of food aid through the WFP. Since 2000, South Korea has extended bilateral food aid to North Korea of 400,000 to 500,000 tons of rice annually. Agriculture production in North Korea began to decline in the mid-1980s. Severe food shortages appeared in 1990-1991 and have continued since. South Korean experts stated in late 2007 that North Korea likely would produce about 3.9 million tons of food grain in 2008, leaving a shortfall of 1.4 million tons.³⁵ In September 1995, North Korea made its first appeal for international food assistance.

³¹ In Christopher Hill's testimony to the Senate Foreign Relations Committee on February 6, 2008, he stated "I don't think it's in our country's interest or Japan's interest or anyone's interest to make these hard linkages in advance" between the Japanese kidnapping issue and North Korea's status on the list of state sponsors of terrorism.

³² Gilles Campion, Senior Japanese adviser to Fukuda warns US over taking DPRK off terrorist list, Agence France Presse, October 25, 2007. Ignore abductees at your peril, Japan warns the United States, JongAng Ilbo (internet version), October 26, 2007.

³³ Arshad Mohammed, N.Korea seems to meet US criteria on terror listing, Reuters News, January 22, 2008.

³⁴ WFP says N. Korean food aid massively underfunded, Kyodo News, February 9, 2007.

³⁵ Park Chan-kyong, Expert tells AFP: North Korea may face famine in 2008, Agence France Presse, October 18, 2007.

The Bush Administration reduced food aid, citing North Korean refusal to allow adequate access and monitoring. It pledged 50,000 tons for 2005 but suspended the delivery of the remaining 25,000 tons when North Korea ordered the WFP to cease operations. The reported Bush Administration consideration in 2008 of a new commitment of food aid, if true, appears to be motivated by the Administration's desire to secure an agreement with North Korea on a declaration of North Korean nuclear programs and thus fulfill the provisions of the February 2007 six party nuclear agreement.

The WFP acknowledges that North Korea places restrictions on its monitors' access to the food distribution system, but it professes that most of its food aid reached needy people. Several private aid groups, however, withdrew from North Korea because of such restrictions and suspicions that the North Korean regime was diverting food aid to the military or the communist elite living mainly in the capital of Pyongyang. In March 2008, the United Nations human rights monitor for North Korea criticized the "great disparity between access by the elite to food and the rest of the population." On March 20, 2008, the South Korean newspaper, *Chosun Ilbo*, published photographs taken by the South Korean military on the demilitarized zone (DMZ) showing North Korean soldiers on the other side of the DMZ loading rice sacks with the South Korean Red Cross symbol aboard military trucks and moving rice sacks to military posts. The *Chosun Ilbo* report claimed that since 2003, the South Korean military had seen the North Korean military divert more than 400 sacks of apparent South Korean rice over ten occasions to soldiers in frontline units.³⁶ Some experts also believe that North Korean officials divert some food aid for sale on the extensive black market. The regime has spent little of several billion dollars in foreign exchange earnings since 1998 to import food or medicines. The regime has not adopted agricultural reforms similar to those of fellow communist countries, China and Vietnam, including dismantling of Soviet-style collective farms. Estimates of the number of North Koreans who die of malnutrition or related causes range widely, from 600,000 to three million.³⁷

North Korean Refugees in China and Human Rights. The U.S. State Department estimates that 30,000-50,000 North Korean refugees live in China. Other estimates by non-governmental organization range between 100,000 and 300,000. The refugee exodus from North Korea into China's Manchuria region began in the mid-1990s as the result of the dire food situation in North Korea.

Generally, China tacitly accepted the refugees so long as their presence was not highly visible. China also allowed foreign private NGOs, including South Korean NGOs, to provide aid to the refugees, again so long as their activities were not highly visible. China barred any official international aid presence, including any role for the United Nations High Commission for Refugees. It instituted periodic crackdowns that included police sweeps of refugee populated areas, rounding up of

³⁶ UN raps 'military first' food access in North Korea, Agence France Presse, March 13, 2008. Photo of N.Korea diverting rice aid to army revealed, *Chosun Ilbo*, March 20, 2008.

³⁷ Natsios, Andrew S. *The Great North Korean Famine*. Washington, U.S. Institute of Peace Press, 2001. Flake, L. Gordon and Snyder, Scott. *Paved with Good Intentions: The NGO Experience in North Korea*. Westport, Connecticut: Praeger, 2003.

refugees, and repatriation to North Korea. Since early 2002, China allowed refugees who had gained asylum in foreign diplomatic missions to emigrate to South Korea.

China tries to prevent any scenario that would lead to a collapse of the Pyongyang regime, its long-standing ally. Chinese officials fear that too much visibility of the refugees and especially any U.N. presence could spark an escalation of the refugee outflow and lead to a North Korean regime crisis and possible collapse. China's crackdowns are sometimes a reaction to increased visibility of the refugee issue. China's interests in buttressing North Korea also have made China susceptible to North Korean pressure to crack down on the refugees and return them. Reports since 2002 described stepped-up security on both sides of the China-North Korea border to stop the movement of refugees and Chinese roundups of refugees and repatriation to North Korea. South Korea accepts refugees seeking entrance into its missions and allows them entrance into South Korea, and it negotiated with China over how to deal with these refugees.³⁸ However, South Korea, too, opposes encouragement of a refugee exodus from North Korea.

Groups that aid North Korean refugees apparently operate an "underground railroad" that transports refugees through China into countries on China's southern border, including Thailand, Vietnam, Laos, and Cambodia. Several hundred refugees at a time reportedly are in these countries awaiting repatriation to South Korea or other countries. In early 2008, the number in Thailand was estimated at about 1,200.³⁹

Most observers, including refugee and human rights groups, believe that the Bush Administration gave the refugee issue low priority. The Administration requested that China allow U.N. assistance to the refugees but asserted that South Korea should lead diplomatically with China. It has not raised the issue in the six party talks. The issue has been aired in congressional hearings. The North Korean Human Rights Act (P.L. 108-333), passed by Congress in October 2004, provided for the admittance of North Korean refugees into the United States. In early 2006, key Members of Congress criticized the Bush Administration for failing to implement this provision, and the Administration admitted the first group of six refugees. Assistant Secretary of State Christopher Hill told the Senate Foreign Relations Committee on February 6, 2008, that the United States had admitted 37 North Korean refugees.

The refugee issue had led to increased outside attention to human rights conditions in North Korea. Reports assert that refugees forcibly returned from China have been imprisoned and tortured in an extensive apparatus of North Korean concentration camps modeled after the "gulag" labor camp system in the Soviet

³⁸ Kirk, Jeremy. "N. Korean Defections Strain Ties," *Washington Times*, February 11, 2005. p.A17.

³⁹ Thailand urged Seoul to accept more N. Korean refugees, Chosun Ilbo (internet version), March 19, 2008.

Union under Stalin.⁴⁰ Reports by Amnesty International, the U.S. State Department, and, most recently, the U.S. Committee for Human Rights in North Korea have described this system as holding up to 250,000 people. The United States and the European Union have secured resolutions from the U.N. Human Rights Commission expressing concern over human rights violations in North Korea, including concentration camps and forced labor. The North Korean Human Rights Act requires the U.S. executive branch adopt a number of measures aimed at furthering human rights in North Korea, including financial support of nongovernmental human rights groups, increased radio broadcasts into North Korea, sending of radios into North Korea, and a demand for more effective monitoring of food aid. However, the Bush Administration has refrained from raising human rights with North Korea in the six party nuclear talks. Assistant Secretary of State Christopher Hill has said that the United States would normalize relations with North Korea when North Korea dismantles its nuclear programs, but he also has stated that human rights will be on the agenda of normalization.⁴¹ (For a complete analysis of the refugee and human rights issues, see CRS Report RL34189, *North Korean Refugees in China and Human Rights Issues: International Response and U.S. Policy Options.*)

North Korea-South Korea Relations. South Korean President Kim Dae-jung took office in 1998, proclaiming a “sunshine policy” of reconciliation with North Korea. He achieved a breakthrough in meeting with North Korean leader Kim Jong-il in Pyongyang, June 13-14, 2000. His successor, Roh Moo-hyun, continued these policies under a “Peace and Prosperity Policy,” which his government described as seeking “reconciliation, cooperation, and the establishment of peace” with North Korea. South Korean officials also held that these policies will encourage positive internal change within North Korea. Key principles of this conciliation policy have been: the extension of South Korean economic and humanitarian aid to North Korea, the promotion of North-South economic relations, separating economic initiatives from political and military issues, no expectation of strict North Korean reciprocity for South Korean conciliation measures, avoidance of South Korean government public criticisms of North Korea over military and human rights issues, and settlement of security issues with North Korea (including the nuclear issue) through dialogue only without pressure and coercion.

South Korea’s conciliation policy included significant amounts of food and fertilizer, including 400,000 to 500,000 tons of rice annually through 2007. North-South trade surpassed \$1 billion in 2005, a ten-fold increase since the early 1990s. Seoul and Pyongyang also instituted a series of reunion meetings of members of separated families. As of 2005, nearly 10,000 South Korean had participated in reunions.⁴²

⁴⁰ U.S. human rights report — Korea, Yonhap News Agency, March 11, 2008.

⁴¹ Statement by Assistant Secretary of State Christopher Hill to the Senate Foreign Relations Committee, February 6, 2008.

⁴² Republic of Korea. Ministry of Unification. *Peace and Prosperity: White Paper on Korean Unification 2005*. 169 pages.

The conciliation policy also has produced three major economic projects. A tourist project at Mount Kumgang, in North Korea just north of the demilitarized zone (DMZ). Operated by the Hyundai Asan Corporation, the Mount Kumgang tourist project has hosted over one million visitors from South Korea. Another agreement is for the connecting of roads and railways across the DMZ. The roads opened in 2003, and the first train crossed the DMZ in November 2007. The third project is the establishment by Hyundai Asan of an “industrial complex” at Kaesong just north of the DMZ. South Korean companies are to invest in manufacturing, using North Korean labor. As of March 2008, 69 companies had set up facilities, employing nearly 24,000 North Korean workers.⁴³ The plan envisages 2,000 companies investing by 2012, employing at least 500,000 North Koreans. The wages of North Korean workers are paid in hard currency to a North Korean state agency.⁴⁴

The Mount Kumgang and Kaesong projects have been a significant source of finances for North Korean leader, Kim Jong-il. The Mount Kumgang tourist project resulted in large South Korean monetary payments to Kim Jong-il through both official payments and secret payments by Hyundai Asan, especially in the 1999-2001 period.⁴⁵ It also appears likely that the North Korean government keeps most of the hard currency paid to North Korean workers at Kaesong.⁴⁶ The Kaesong industrial complex will generate considerable foreign exchange income to the North Korean regime in the near future as it expands — an estimated \$500 million in annual wage income by 2012 and an additional \$1.78 billion in estimated tax revenues by 2017.⁴⁷

President Roh and Kim Jong-il held a summit meeting in October 2007. Roh promised South Korean financing of several large infrastructure projects in North Korea, including a second industrial zone, refurbishing Haeju port, extension of North Korea’s railway line north of Kaesong, a highway between Kaesong and Pyongyang, and a shipbuilding complex in the port of Nampo.⁴⁸

⁴³ Businesses concerned about inter-Korean industrial park, Yonhap News Agency, March 27, 2008.

⁴⁴ “Factbox — South Korea’s industrial park in the North.” Reuters News, June 12, 2006. Faiola, Anthony. “Two Koreas learn to work as one.” *Washington Post*, February 28, 2006. p. A10.

⁴⁵ CRS reported the secret Hyundai payments in 2001. The Kim Dae-jung administration denied for two years that secret payments were made. In June 2003, a South Korean special prosecutor reported that secret payments of \$500 million were made shortly before the June 2000 North-South summit. See Kang Chu-an, North cash called “payoff” by counsel, *Chungang Ilbo* (internet version), June 26, 2003.

⁴⁶ SKorea says northern workers at joint industrial zone get paid, Associated Press, November 11, 2006. An official of the South Korean Unification Ministry stated that North Korean workers at Kaesong received only about five percent of the monthly wage of \$57 from the North Korean agency that collects the wages.

⁴⁷ Moon Ihlwan, Bridging the Korean economic divide, *Business Week Online*, March 8, 2006.

⁴⁸ Norimitsu Onishi, Korea summit meeting paves way for joint projects, *New York Times*, October 5, 2007, p. A3.

South Korea's President Lee Myung-bak, who took office in February 2008, stated that he will continue main features of Roh Moo-hyun's policies, including the provision of humanitarian aid (food and fertilizer) to North Korea and a continuation of the Mount Kumgang and Kaesong projects. He enunciated a "3000 Policy" to help North Korea raise per capita income to \$3,000 over the next ten years. Lee, however, says he will review the infrastructure promised by Roh Moo-hyun at the October 2007 North-South summit, looking at options of canceling or postponing them. He said that he will base his decisions on these projects on the extent of progress on the North Korean nuclear issue, the economic feasibility of the projects, the financial costs, and the degree of South Korean public support.⁴⁹

Lee asserted that he will link South Korean policy toward North Korea more closely to the status of the nuclear negotiations. He has called for the complete dismantlement of North Korea's nuclear programs and weapons. The newly-designated chairman of the South Korean Joint Chiefs of Staff stated on March 26, 2008, that the South Korean military had contingencies for a strike against North Korean nuclear installations if the South Korean government concluded that North Korea was in the process of launching nuclear weapons against South Korea. His Unification Minister said on March 19, 2008, that it would be difficult to expand the Kaesong industrial zone until there was progress on the nuclear issue.⁵⁰ Lee also stated that he will reverse Roh's policy of not raising human rights issues with North Korea. He said the South Korean government will raise the issues of South Korean fishermen kidnapped by North Korea and South Korean soldiers from the Korean War still held as prisoners by North Korea.⁵¹

North Korea reacted to these statement at the end of March 2008 by expelling eleven South Korean officials from Kaesong and test firing a number of missiles into the Yellow Sea. Its propaganda organs issued threats against South Korea. Moreover, annual North-South talks over South Korea's rice aid to North Korea have not taken place; the talks usually are held in March.

U.S.-R.O.K. Free Trade Agreement (FTA)

On June 30, 2007, the United States and South Korea signed a Free Trade Agreement (KORUS FTA). If approved the agreement would be the largest FTA that South Korea has signed to date and would be the second largest (next to the North American Free Trade Agreement — NAFTA) in which the United States participates. South Korea is the seventh-largest trading partner of the United States; total trade in 2007 was close to \$80 billion. Various studies conclude that the agreement would increase bilateral trade and investment flows.

⁴⁹ Sin Sok-ho, Joint interview with President-elect Lee Myung-bak by Dong-A Ilbo, Asahi Shimbun, and the *Wall Street Journal*, *Dong-A Ilbo* (internet version), February 4, 2008.

⁵⁰ Choe Sang-hun, South Korea adds terms for its aid to the North, *New York Times*, March 27, 2007, p. A6.

⁵¹ Ibid.

The proposed KORUS FTA covers a wide range of trade and investment issues, and, therefore, could have wide economic implications for the United States and South Korea. It includes provisions for the elimination of tariffs on trade in most manufactured goods and partial liberalization of the services trade. The agreement also includes provisions on a number of sensitive issues, such as autos, agriculture, and trade remedies, on which agreement was reached only during the final hours of negotiations.

To enter into force, the FTA would need congressional approval in the form of implementation legislation. The negotiations were conducted under the trade promotion authority, also called fast-track authority, that Congress granted the President under the Bipartisan Trade Promotion Act of 2002 (P.L. 107-210). The authority allows the President to enter into trade agreements that receive expedited congressional consideration with no amendments and limited debate. The White House has not indicated when it will send the draft implementing legislation to Congress. (The trade promotion authority sets no deadline for the President to do this.)

There is vocal support for the KORUS FTA in both the United States and South Korea. U.S. supporters view passage as important to secure new opportunities for U.S. business in the South Korean market. Other supporters argue that the FTA will strengthen the U.S.-South Korean alliance as a whole, although other observers caution that the FTA should be supported on the basis of economic benefits and not linked to the military alliance.

The South Korean National Assembly will have to ratify the FTA and the Assembly reportedly is divided closely. In the United States, the auto and steel manufacturers and their labor unions oppose the agreement on the grounds that it would reduce barriers to the import of South Korean steel and automobiles and would not open the South Korean market sufficiently for U.S. autos. The U.S. agricultural community and some Members of Congress have withheld support for the FTA because of South Korea's restrictions on imports of U.S. beef. Shortly before the Bush-Lee Myung-bak summit meeting in April 2008, the ROK government announced a plan for a staged lifting of restrictions on the import of U.S. beef.

Differences between the Bush Administration and the Democratic leadership in Congress and leading Democratic presidential candidates have made uncertain the timing and the likelihood of the President's submission of the FTA to Congress. On the South Korean side, President Lee Myung-bak is weighing the timing of asking the Korean National Assembly to take up the KORUS FTA. (For more details, see CRS Report RL33435, *The Proposed South Korea-U.S. Free Trade Agreement (KORUSFTA)*.)

U.S.-South Korea Military Alliance⁵²

The U.S. alliance with South Korea is undergoing fundamental changes that are affecting the alliance structure and the U.S. military presence in South Korea. Four factors influenced the initiation of this process in 2003. One was the demonstration of anti-American sentiment in South Korea in 2002, particularly against the U.S. military presence in South Korea, sparked by the accidental killing of two South Korean schoolgirls by a U.S. military vehicle. Mass demonstrations against the United States ensued throughout South Korea over the U.S. military command's (USFK) handling of the incident. South Korean attitudes critical of the United States are especially pronounced among South Koreans below the age of 50, while older South Koreans remain substantially pro-U.S. Recent South Korean polls indicate that anti-American sentiment declined after 2005, but the situation no doubt remains volatile. A second factor was the policies of President Roh Moo-hyun, elected in 2002, who sought changes in the alliance structure to give South Korea more equality and independence from the United States. A third was plans for a restructuring of U.S. forces in the Western Pacific that the Pentagon and the U.S. Pacific Command began to develop in the late 1990s, coupled with the need for more U.S. troops for the war in Iraq. A fourth contributing factor was the gradual recognition that the capabilities of North Korean conventional military forces have deteriorated substantially as a result of the collapse of the Soviet Union (North Korea's main supplier of arms) and the collapse of North Korea's economy in the 1990s.

The main changes since 2003 have been:

- The planned withdrawal of the U.S. Second Infantry Division of about 15,000 troops from its position just below the demilitarized zone to "hub bases" about 75 miles south at Pyongtaek.
- The planned relocation of the U.S. Yongsan base, which houses about 9,000 U.S. military personnel in the center of Seoul, to Pyongtaek.
- The withdrawal of a 3,600-man combat brigade of the Second Division from South Korea to Iraq in 2004.
- The withdrawal from South Korea of an additional 12,500 U.S. troops, to be completed in September 2008, bringing total U.S. troop strength in South Korea down to 25,000.
- An \$11 billion U.S. plan to modernize U.S. forces in South Korea.
- Increased deployments of U.S. combat airpower into South Korea on a rotational basis.

⁵² Perry, Charles. *Alliance Diversification and the Future of the U.S.-Korean Security Relationship*. Herndon, Virginia: Brassey's, Inc., 2004. Mitchell, Derek (ed.). *Strategy and Sentiment: South Korean Views of the United States and the U.S.-ROK Alliance*. Washington, Center for Strategic and International Studies, 2004.

- A U.S.-South Korea (R.O.K.) operational control (OPCON) agreement to dismantle the U.S.-R.O.K. Combined Forces Command (CFC), which has been headed by the U.S. commander in Korea, and the establishment of separate U.S. and R.O.K. military commands. These steps are slated to begin in October 2009 and be completed by March 2012. President Roh initially proposed the dismantlement of CFC and the establishment of separate military commands. Under the OPCON agreement, a Military Cooperation Center will be responsible for planning military operations, joint military exercises, logistics support, intelligence exchanges, and assisting in the operation of the C4I (communication, command, control, computer) system.

Several issues remain to be resolved in implementing these plans.⁵³ The relocations of the Second Division and the Yongson garrison have been delayed until at least 2013 because South Korea could not meet the financial costs (an estimated \$10.7 billion) and delays in the construction of the “hub bases” at Pyongtaek. General B.B. Bell, U.S. military commander in Korea, expressed unhappiness over the delay, and the division of financial costs for the relocations likely will be an issue for future negotiations. Aides to South Korea’s new President, Lee Myung-bak, have suggested that the Lee Administration may seek to renegotiate the OPCON agreement in order to cancel or postpone the dismantling of the CFC. However, Lee’s Defense Minister, Lee Sang-hee, said on March 26, 2008, that the OPCON agreement was “an indispensable step for the future development of our military alliance.”⁵⁴ Considerable sentiment exists within Lee’s Grand National Party in favor of a renegotiation. General Bell said that there is no rationale for a renegotiation, and Pentagon officials reportedly have described the OPCON agreement as a “closed subject.”⁵⁵

Another issue will be whether there will be further U.S. troop withdrawals from South Korea after the current cycle of withdrawals and relocations ends in September 2008. General Bell has stated that the future U.S. defense role in South Korea will rely primarily on airpower.⁵⁶ The spokesman for the South Korean Defense Ministry stated in March 2008 that the Defense Ministry’s understanding was that the U.S.

⁵³ For an informative report on the issues facing the U.S.-R.O.K. alliance, see U.S. National Defense University, Institute for National Strategic Studies, *Moving the U.S.-ROK Alliance into the 21st Century*. September 2007.

⁵⁴ Delay of troop control transfer not an option: Defense chief, Yonhap News Agency, March 26, 2008.

⁵⁵ Last Korea-US military talks held under Roh government, Yonhap News Agency, January 24, 2008. Robert Campbell, U.S. commander backs S. Korea war command transfer, Reuters News, January 28, 2008.

⁵⁶ DPRK military eroded but still threat: General Bell, Yonhap News Agency, February 1, 2008.

military command (USFK) wanted a U.S. troop level after September 2008 at 28,000 rather than the planned 25,000.⁵⁷

Advisers to President Lee have talked about broadening the U.S.-South Korean alliance beyond the Korean peninsula and Northeast Asia. President Roh Moo-hyun sent 3,600 R.O.K. troops to Iraq in 2004 the third largest contribution of U.S. allies. They have been based in the relatively secure Kurdish area in northern Iraq and have not engaged in anti-insurgency combat. Troop withdrawals will bring the R.O.K. contingent down to about 650 by the end of 2008.⁵⁸

In 2007, South Korea withdrew 200 non-combat military personnel it sent to Afghanistan, and the government has not responded to appeals of U.S. commanders since mid-2006 for U.S. allies to send ground combat troops to Afghanistan to help deal with the resurgent Taliban. In contrast to the absence of a South Korean commitment of troops to Afghanistan, eight other U.S. allies have each contributed over 1,000 troops, and another five allies have each contributed over 500 troops.⁵⁹ In 2007, it appears that the South Korean government paid a sizeable ransom to the Taliban to secure the release of kidnapped South Korean Christian missionaries, reported by one Taliban official to be \$20 million.⁶⁰ In response to a question, U.S. Ambassador-designate to South Korea, Kathleen Stephens, stated that the U.S. and South Korean governments should discuss how South Korea could contribute to the war in Afghanistan. The South Korean newspaper, *Korea Herald*, reported that U.S. Secretary of Defense Robert Gates asked South Korean Representative Chong Mong-joon of the Grand National Party for the deployment of troops to Afghanistan to train Afghan military and police personnel.⁶¹

The United Nations Command, established in 1950 at the start of the Korean War, is to remain under the U.S. military commander, according to the OPCON agreement.⁶² U.S. military officials have called for negotiations with R.O.K. counterparts over the role of the U.N. Command after the U.S. and R.O.K. commands have been separated. One issue is the role of the U.N. Command in maintaining the 1953 Korean armistice, including commanding South Korean forces

⁵⁷ Jung Sung-ki, US wants to freeze troop cuts, *Korea Times*, March 20, 2008.

⁵⁸ Andrew Salmon, S. Korea moves to stay in Iraq, *Washington Times*, October 24, 2007, p. A1.

⁵⁹ Department of Defense table published in the *Washington Times*, January 17, 2008, p. A10.

⁶⁰ Saeed Ali Achakzai, Seoul said to have ransomed hostages, *Washington Times*, September 2, 2007, p. A1. Andrew Salmon, Top spy skirts ransom question on hostages, *Washington Times*, September 7, 2007, p. A15.

⁶¹ Lee Joo-hee, Korea faces tough balancing act with U.S. request list, *Korea Herald* (internet version), April 14, 2008. Envoy-nominee to Seoul highlights Afghan, N.K. Issues, Yonhap News Agency, April 10, 2008.

⁶² Jin Dae-woon. Korea, U.S. compromise on command transfer. *Korea Herald* (internet version), October 22, 2006.

in fulfilling functions related to the armistice. Another is the authority of the U.N. commander in wartime once U.S. and R.O.K. commands are separated.⁶³

South Korea purchased over \$3.7 billion worth of American military weapons and equipment in 2007. The South Korea government has requested that the U.S. government upgrade South Korea's status as an arms purchaser to the NATO Plus Three category. South Korea currently is treated as a Major Non-NATO Ally. This upgrade would establish a higher dollar threshold for the requirement that the U.S. Executive Branch notify Congress of pending arms sales to a country, from \$14 million to \$25 million. Congress would have 15 days to consider the sale vs. 50 days for Major Non-NATO Allies. Legislation (H.R. 5443) has been introduced in the House of Representatives to grant South Korea NATO Plus Three status.

The total cost of stationing U.S. troops in South Korea is over \$2 billion annually. The South Korean direct financial contribution for 2007 was approximately \$770 million (725.5 billion won). This is about 40% of the total cost of maintaining U.S. forces in South Korea. In recent U.S.-R.O.K. military negotiations, Pentagon officials called for South Korea to increase its share to at least 50%. They stated that if South Korea does not raise its share, the Pentagon will make cuts in costs and/or U.S. personnel.⁶⁴ A U.S.-R.O.K. agreement of December 2006 specified a South Korean financial contribution of about \$785 million in 2008.

South Korea's Political System

From the end of the Korean War in 1953 until 1988, South Korea was governed by authoritarian leaders, Rhee Syngman, Park Chung-hee, and Chun Doo-hwan. Park and Chun were military leaders who took power through coup d'états. Except for several years in the 1960s, the governments under these leaders followed policies that highly restricted political and civil liberties. However, the Park Chung-hee government (1963-1979) orchestrated the Korean "economic miracle," which turned South Korea from a poor, agricultural-based country into the modern industrial and high technology country it is today. In 1987, massive pro-democracy demonstrations (and behind-the-scenes American pressure) forced Chun to allow the drafting of a new constitution and the holding of free presidential elections. The constitution established a President, elected for a single five year term. Since 1987, five presidents have been elected to office. A National Assembly of 299 members, elected to four-year terms, received expanded powers to legislate laws and to conduct oversight and investigations over the executive branch. Courts were given greater independence from South Korean presidents. Municipal and provincial governments were given new powers independent of the central government.

⁶³ Jin Dae-soong. Speculation rises over U.S. intentions on UNC. *Korea Herald* (internet version), January 21, 2007.

⁶⁴ Pentagon taps Seoul on cost-sharing, *Washington Times*, October 3, 2006. p. A4.

The developments of 1987 also ushered in new political forces which have operated alongside more traditional elements of Korean political culture.⁶⁵ The President remains a powerful figure. However, his tenure is only one term, and his base of support is no longer the military. The military since 1987 has ended its political role. Political parties were weak and unstable under the authoritarian regimes, and they have retained many of those characteristics despite their growing importance in the National Assembly and at the local level. Political parties generally have been the appendages of powerful political leaders. They often have been based in different regions of South Korea. Members have viewed their loyalty as directed to the leader rather than to a party as an institution. They have viewed the political parties as a means of acquiring power and position. Parties thus have been unstable, often lasting only for short periods before breaking up. The latest example is the disintegration of the Uri Party in 2007. The Uri Party was led by President Roh Moo-hyun, who was elected in December 2002. It was the largest party in the National Assembly with 139 seats. However, with polls showing Roh's public approval extremely low and the Uri Party's prospects in the December 2007 president election as very poor, defections began from the party in 2007. Uri's strength in the National Assembly fell to 110, and remaining party leaders created a new party, the United Democratic Party.

Nevertheless, the United Democratic Party entered the presidential race in 2007 in a weakened condition. Its candidate lost badly to the candidate of the opposition Grand National Party (GNP), former mayor of Seoul, Lee Myung-bak, in December 2007. Lee, who won nearly 49% of the vote, ran on a pro-business platform, pledging to relax government regulations over domestic and foreign business and cut the corporation tax in order to restore the high level of South Korean economic growth that had persisted from the late 1960s until the late 1990s and create up to 600,000 new jobs annually. He said he would create a \$40 billion investment fund to develop North Korea toward raising its per capita income from an estimated \$500 to \$3,000.⁶⁶

However, the Lee Administration got off to a shaky start after his inauguration in February 2008. Three of his cabinet appointees were forced to resign over charges of corruption.⁶⁷ Lee's Grand National Party suffered defections over the selection of candidates for National Assembly seats in the election of April 9, 2008.⁶⁸ The election results gave the GNP a bare majority of 153 seats in the 299 seat National Assembly. Two other parties perceived as conservatives won 32 seats, but they are

⁶⁵ Steinberg, David I and Shin, Myung. Tensions in South Korean political parties in transition. *Asian Survey*, July-August 2006. p. 517-537.

⁶⁶ Andy Jackson, Seoul Choice, *The Wall Street Journal Asia*, October 30, 2007, p. 13. Jim Ji-hyun, Champion of open economy soft on N Korea, *Korea Herald* (internet version), December 5, 2007.

⁶⁷ Choe Sang-hun, Corruption allegations batter South Korea's new President, *New York Times*, March 6, 2008, p. A6.

⁶⁸ Large group of swing voters poses threat to ruling party, Yonhap News Agency, March 30, 2008.

viewed as anti-Lee Myung-bak. Former President Roh's United Democratic Party won only 81 seats.

Political parties and political institutions that have arisen since 1987 have demonstrated sharper ideological positions, especially on issues like relations with North Korea and the United States. Ideological divisions on these issues have had a strong generational element in them. Older South Koreans have attitudes more favorable to the United States and are anti-communist. Younger South Koreans are more supportive of conciliation with North Korea and are critical of key elements of the South Korean-U.S. alliance. An array of non-governmental groups influence the government on key policy issues such as the role of labor unions, environmental policies, government support of farmers, women's issues, and consumer issues. The press includes a number of newspapers but also extensive news-oriented computer websites.

For Additional Reading

CRS Report RL32167. *Drug Trafficking and North Korea: Issues for U.S. Policy*, by Raphael F. Perl.

CRS Report RL34256. *North Korea: Terrorism List Removal?*, by Larry A. Niksch and Raphael F. Perl.

CRS Report RS22845. *North Korea's Abduction of Japanese Citizens and the Six Party Talks*, by Emma Chanlett-Avery and Andorra Bruno.

CRS Report RL33885. *North Korean Crime-for-Profit Activities*, by Liana Sun Wyler and Dick K. Nanto.

CRS Report RL31785. *Foreign Assistance to North Korea*, by Mark E. Manyin.

CRS Report RL31696. *North Korea: Economic Sanctions*, by Dianne E. Rennack.

CRS Report RL30493. *The Kaesong North-South Korean Industrial Complex*, by Dick K. Nanto and Mark Manyin.

CRS Report RL34189. *The North Korean Economy: Leverage and Policy Analysis*, by Dick K. Nanto and Emma Chanlett-Avery.

CRS Report RL33435. *The Proposed South Korea-U.S. Free Trade Agreement (KORUSFTA)*, by William H. Cooper and Mark E. Manyin.

CRS Report RL33590. *North Korea's Nuclear Weapons Development and Diplomacy*, by Larry A. Niksch.

CRS Report RL34256. *North Korea's Nuclear Weapons: Latest Developments*, by Mary Beth Nikitin.

CRS Report RS24173. *North Korean Ballistic Missile Threat to the United States*, by Steven Hildreth.

CRS Report RL31555. *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*, by Shirley A. Kan.

CRS Report RL34189. *North Korean Refugees in China and Human Rights Issues: International Response and U.S. Policy Options*, by Rhoda Margesson, Emma Chanlett-Avery, and Andorra Bruno.